

# PEPSICO, INC. NYSE-PEP

RECENT PRICE **64.65** P/E RATIO **14.5** (Trailing: 16.2 Median: 21.0) RELATIVE P/E RATIO **0.98** DIV'D YLD **3.4%** VALUE LINE

TIMELINESS <b>3</b> Raised 5/6/11	High: 49.9	50.5	53.5	48.9	55.7	60.3	66.0	79.0	79.8	64.5	68.1	71.9	Target Price Range		
SAFETY <b>1</b> Raised 5/11/01	Low: 29.7	40.3	34.0	36.2	45.3	51.3	56.0	61.9	49.7	43.8	58.8	58.5	2014	2015	2016
TECHNICAL <b>3</b> Raised 1/13/12	LEGENDS — 15.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded areas indicate recessions														
BETA .60 (1.00 = Market)															

<b>2014-16 PROJECTIONS</b>																		
Price	Gain	Ann'l Total																
High <b>130</b>	<b>(+100%)</b>	<b>21%</b>																
Low <b>105</b>	<b>(+60%)</b>	<b>15%</b>																
<b>Insider Decisions</b>																		
	F	M	A	M	J	A	S	O								% TOT. RETURN 12/11		
to Buy	0	0	0	0	0	0	0	0								THIS STOCK	VL ARITH. INDEX	
Options	1	0	0	8	0	2	0	0								1 yr.	4.7	-5.9
to Sell	1	0	0	8	0	2	0	0								3 yr.	30.4	91.9
	1	0	0	8	0	2	0	0								5 yr.	19.6	21.6
<b>Institutional Decisions</b>																		
	12/2011	2/2012	3/2012															
to Buy	687	629	728															
to Sell	708	692	620															
Hlds(000)	1061066	1073188	1040802															

1995	1996	1997 <sup>c</sup>	1998	1999 <sup>c</sup>	2000	2001 <sup>c</sup>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC		14-16
19.30	20.48	13.93	15.19	14.00	14.13	13.79	14.58	15.82	17.43	19.66	21.45	24.59	27.85	27.62	36.58	42.65	45.15	Sales per sh <sup>A G</sup>	53.35	
2.37	2.32	1.89	2.04	1.98	2.27	2.32	2.68	2.81	3.14	3.65	3.95	4.38	4.84	4.84	5.47	5.95	6.40	"Cash Flow" per sh	8.15	
1.24	1.17	1.10	1.16	1.23	1.48	1.66	1.96	2.05	2.32	2.69	3.00	3.34	3.21	3.77	3.91	4.30	4.60	Earnings per sh <sup>A G B</sup>	5.95	
.39	.45	.49	.52	.54	.56	.58	.60	.63	.85	1.01	1.16	1.43	1.60	1.75	1.89	1.99	2.12	Div'ds Decl'd per sh <sup>C</sup>	2.36	
1.34	1.48	1.00	.96	.77	.74	.75	.83	.79	.83	1.05	1.26	1.51	1.58	1.36	2.06	2.10	2.15	Cap'l Spending per sh	2.50	
4.64	4.29	4.62	4.35	4.73	5.01	4.91	5.37	6.94	8.03	8.58	9.36	10.71	7.77	11.12	13.56	15.10	17.40	Book Value per sh <sup>E</sup>	25.40	
1576.0	1545.0	1502.0	1471.0	1455.0	1446.0	1756.0	1722.0	1705.0	1679.0	1656.0	1638.0	1605.0	1553.0	1565.0	1581.0	1555.00	1535.00	Common Shs Outst'g <sup>F</sup>	1500.00	
18.5	26.5	32.5	32.4	29.8	27.7	27.8	23.6	21.5	22.1	20.6	20.4	20.5	20.5	14.7	16.5	15.2		Avg Ann'l P/E Ratio	20.0	
1.24	1.66	1.87	1.69	1.70	1.80	1.42	1.29	1.23	1.17	1.10	1.10	1.09	1.23	.98	1.06	.95		Relative P/E Ratio	1.35	
1.7%	1.4%	1.4%	1.4%	1.5%	1.4%	1.3%	1.3%	1.4%	1.7%	1.8%	1.9%	2.1%	2.4%	3.2%	2.9%	3.0%		Avg Ann'l Div'd Yield	2.0%	

<b>CAPITAL STRUCTURE as of 9/3/11</b>																	
Total Debt \$26851 mill. Due in 5 Yrs \$12333 mill.																	
LT Debt \$21781 mill. LT Interest \$750 mill.																	
(Total interest coverage: 21.9x) (48% of Cap'l)																	
<b>Leases, Uncapitalized \$1676 mill.</b>																	
<b>Pension Assets-12/10 \$6.6 bill. Oblig. \$11.9 bill.</b>																	
<b>Pfd Stock \$74.0 mill. Pfd Div'd \$1.8 mill.</b>																	
227.65. shs., each conv. into 4.96 common shs.																	
<b>Common Stock 1,563,410,224 shs. as of 10/5/11</b>																	
<b>MARKET CAP: \$100 billion (Large Cap)</b>																	
<b>CURRENT POSITION</b>																	
	2009	2010	9/3/11														
Cash Assets	3943	5943	3083														
Receivables	4624	6323	8330														
Inventory (FIFO)	2618	3372	4205														
Other	1386	1931	2216														
Current Assets	12571	17569	17834														
Accts Payable	8127	10923	11524														
Debt Due	464	4898	5070														
Other	165	71	971														
Current Liab.	8756	15892	17565														

<b>ANNUAL RATES</b>																	
of change (per sh)																	
	10 Yrs.	5 Yrs.	Est'd '08-'10 to '14-'16														
Sales	8.0%	11.5%	9.5%														
"Cash Flow"	9.0%	9.0%	9.5%														
Earnings	11.0%	9.0%	9.5%														
Dividends	12.5%	16.0%	5.0%														
Book Value	8.5%	6.5%	16.5%														

<b>QUARTERLY SALES (\$ mill.)<sup>A</sup></b>				<b>Full Year</b>	
Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2008	8333	10945	11244	12729	43251
2009	8263	10592	11080	13297	43232
2010	9368	14801	15514	18155	57838
2011	11937	16827	17582	19954	66300
2012	12450	17050	18000	20800	68300

<b>EARNINGS PER SHARE<sup>A B</sup></b>				<b>Full Year</b>	
Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2008	.70	1.05	.99	.46	3.21
2009	.72	1.06	1.09	.90	3.77
2010	.89	.98	1.19	.85	3.91
2011	.71	1.17	1.25	1.17	4.30
2012	.80	1.23	1.35	1.22	4.60

<b>QUARTERLY DIVIDENDS PAID<sup>C</sup></b>				<b>Full Year</b>	
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.75	.425	.425	--	1.60
2009	.85	.455	.45	--	1.75
2010	.90	.48	.48	--	1.86
2011	.96	.515	.515	--	1.99

**PeppiCo will likely face some near-term challenges.** Unfavorable foreign currency translation rates may affect the bottom line in 2012. In addition, rising commodity expenses will also be a concern. As a result, we have clipped a dime off our 2012 full-year results, now \$4.60. In addition, the company has intensified its advertising budget for many of its popular brands such as *Pepsi*, *Sobe*, and *Brisk Iced Teas*. This may cause some near-term share-net erosion, but ought to foster longer-term earnings potential.

**The beverage giant has a number of growth platforms.** Product innovation for both beverages and snacks is on the agenda. Meanwhile, the formation of the "Global Nutrition Group" is seeking to create healthier products. And Pepsi intends to grow this market from \$10 billion to \$30 billion by 2020. Also, it is seeking expansion via the acquisition route.

**Arguably the biggest expansion catalyst comes from overseas markets.** The beverage outfit has ample growth prospects abroad, in all areas of the business. For example, soda consumption is much lower in foreign countries than in North America. And the company is investing heavily in high-growth markets such as Russia and China. Furthermore, emerging markets like India and Turkey also provide the impetus for growth. One way the company is pursuing this is through acquisitions. Recent examples include Wimm-Bill-Dann, a Russian dairy company, and Amacoco, a Brazilian coconut water manufacturer. And PepsiCo recently entered into an agreement to form a strategic alliance with Tingyi Holdings, one of China's largest food and beverage companies, to have that company's beverage unit bottle and distribute Pepsi products.

**These shares have solid 3- to 5-year appreciation potential.** Moves to expand overseas, especially in emerging markets, is a good strategy, in our opinion. In addition, a well diversified portfolio should allow healthy earnings growth. The short-term prospects are not too enticing and the equity is neutrally ranked for the year ahead. But these high-quality shares are suited to conservative investors, given the high rank for Safety (1) and stellar Price Stability score of 100.

Nira Maharaj  
January 27, 2012

(A) Qtrts. are 12, 12, 12 and 16 wks. (B) Dil. eqs. after '96. Excl. nonrecr. gains (losses): '95, (24¢); '96, (45¢); '98, 15¢; '99, 14¢; '01, (14¢); '02, (11¢); '04, (12¢); '05, (27¢); '06, 34¢; '07, 7¢. '10 eqs. ref. costs due to the acquisitions of its two largest bottlers. May not sum due to rounding. Next eqs. rpt. due early February. (C) Divs. hist. paid Jan., Mar., Jun., Sept. ■ Reinvest. plan. avail. (E) Incl. intang. In '10: \$28.5 bill., \$1.80/sh. (F) In mill. (G) Ref. Restaurant spinoff ('97), sale of maj. of Pepsi Bott. Gr. ('99), and reclass. of selling exp. ('01).	Company's Financial Strength	A++
	Stock's Price Stability	100
	Price Growth Persistence	55
	Earnings Predictability	95